

2017 - 2018 Seattle City Council Green Sheet

Ready for Notebook

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Budget Action Title: Adopt Resolution 31717 amending the financial policies for the Emergency Subfund.

Ongoing: Yes

Has CIP Amendment: No Has Budget Proviso: No

Primary Sponsor: Budget Committee

Councilmembers:

Staff Analyst: Erik Sund

Council Bill or Resolution: Reso. 31717

Date		Total	SB	TB	LG	BH	LH	RJ	DJ	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

Budget Action description:

This green sheet recommends adoption of Resolution 31717, amending the City's financial policies governing the Emergency Subfund.

The City maintains two general financial reserves: (1) the Emergency Subfund (ESF; within the General Fund) and (2) the Revenue Stabilization Account (RSA; within the Cumulative Reserve Subfund). The RSA is commonly referred to as the "Rainy Day Fund" and is intended to provide resources to mitigate the impact on City finances of a sudden, unexpected drop in revenues due to an economic recession or similar event.

The ESF was established under the authority of RCW 35.32A.060 and provides a reserve against unanticipated expenses caused by a storm, natural disaster, or other eligible event. State law limits the amount of money that the City may maintain in the ESF to \$0.375 per \$1,000 of assessed value of property within the city. As of 2016, the dollar value of the cap is approximately \$59.3 million. Current City financial policies for the ESF, which were last amended in 2001 by Resolution 30379, establish the State limit for the ESF as the City target fund balance. The policies direct that the City shall appropriate sufficient amounts at the beginning of each year to establish a balance equal to the State limit.

The assessed value of property in the City has increased significantly over the last several years, causing the maximum allowable (and therefore policy target) fund balance of the ESF to grow faster than either City property tax revenues (which are limited to 1 percent growth plus the amount of tax due on new construction) or general inflation. For example, the fund balance of ESF is projected to grow from

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approximately \$48.5 million at the beginning of 2015 to \$59.3 million at the end of 2016 under current City policies.

Resolution 31717 would revise the City's financial policies to require that the City maintain a minimum balance of \$60 million in the ESF, rather than maintain the maximum balance permitted by the State. The minimum required balance would then be increased annually at the rate of inflation as measured by the Consumer Price Index. The appropriations to the ESF incorporated in the Mayor's Proposed Budget are consistent with this policy, increasing the ESF balance by approximately 5% (\$3 million) over the biennium, the cumulative rate of inflation forecast for the next 2 years. This will result in a balance of \$63.2 million by 2018.